

JEFFERSON DAVIS COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports
For the Year Ended September 30, 2013

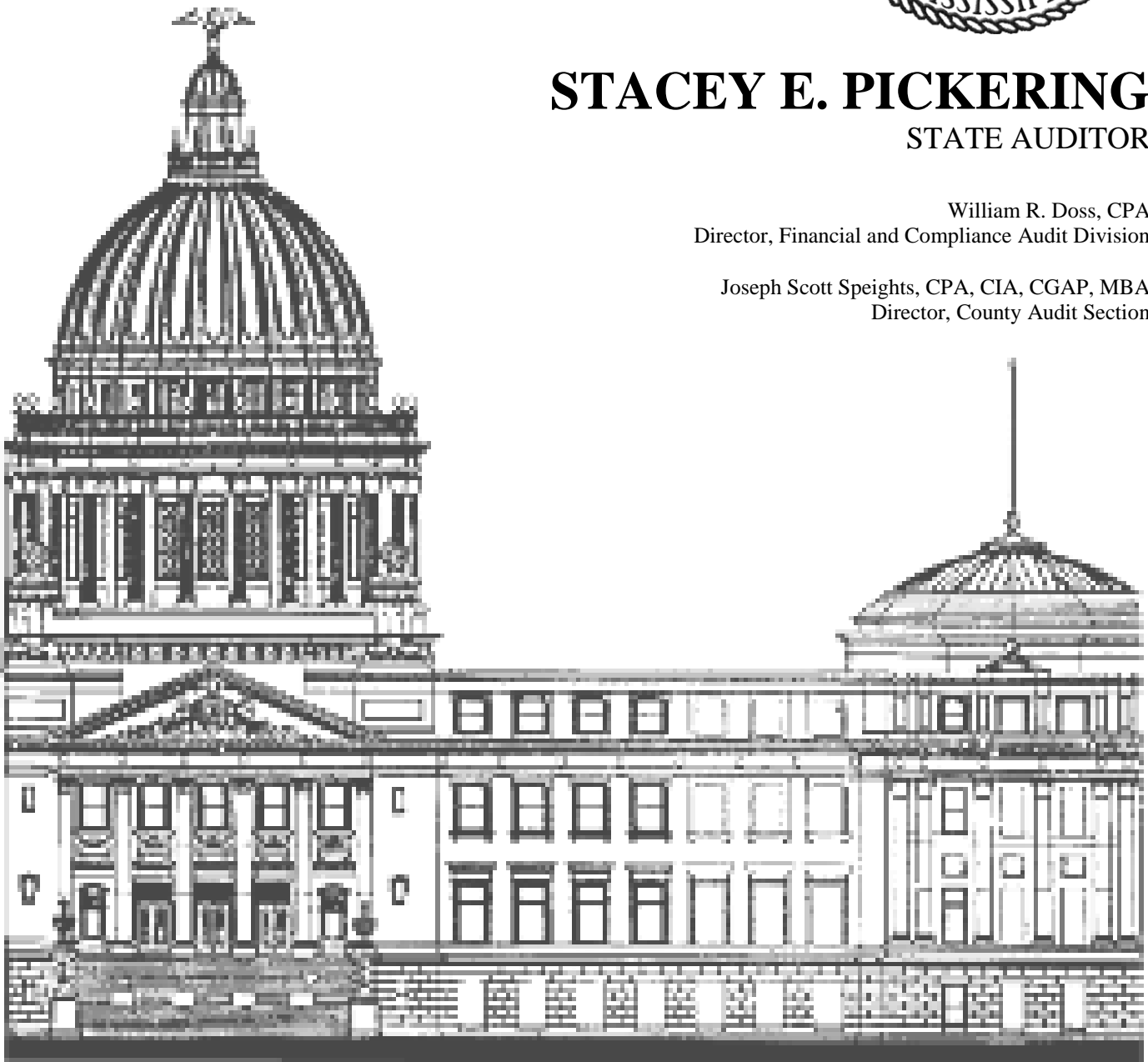


STACEY E. PICKERING

STATE AUDITOR

William R. Doss, CPA
Director, Financial and Compliance Audit Division

Joseph Scott Speights, CPA, CIA, CGAP, MBA
Director, County Audit Section



A Report from the County Audit Section

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

April 4, 2014

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2013 financial and compliance audit report for Jefferson Davis County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Jefferson Davis County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Jefferson Davis County. If I or this office can be of any further assistance, please contact me or J. Scott Speights of my staff at (601) 576-2674.

Respectfully submitted,

Stacey E. Pickering
State Auditor

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL SECTION

JEFFERSON DAVIS COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Report on the Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements of the County's primary government as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting as described in Note 1. This includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the County's legally separate component units. Accounting principles applicable to the County's cash basis of accounting require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the cash basis assets, net position, receipts and disbursements of the aggregate discretely presented component units is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly, the cash basis financial position of the aggregate discretely presented component units of Jefferson Davis County, Mississippi, as of September 30, 2013, or the changes in cash basis financial position thereof for the year then ended in accordance with accounting principles applicable to the County's cash basis of accounting.

Unmodified Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, as of September 30, 2013, and the respective changes in cash basis financial position thereof for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements which describes that Jefferson Davis County, Mississippi prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

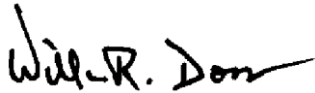
Report on Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson Davis County, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying Schedule of Operating Costs of Solid Waste is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Schedule of Expenditures of Federal Awards and the Schedule of Operating Costs of Solid Waste have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of Operating Costs of Solid Waste are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Budgetary Comparison Schedules, Schedule of Investments, Schedule of Capital Assets, Schedule of Changes in Long-term Debt, Schedule of Surety Bonds for County Officials and corresponding notes have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2014, on our consideration of Jefferson Davis County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jefferson Davis County, Mississippi's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 4, 2014

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

FINANCIAL STATEMENTS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY
Statement of Net Position - Cash Basis
September 30, 2013

Exhibit 1

| | | <u>Primary Government</u> |
|---------------------------|----|---------------------------|
| | | <u>Governmental</u> |
| | | <u>Activities</u> |
| ASSETS | | |
| Cash | \$ | <u>3,054,781</u> |
| Total Assets | | <u><u>3,054,781</u></u> |
| NET POSITION | | |
| Restricted: | | |
| Expendable: | | |
| General government | | 204,598 |
| Public safety | | 15,372 |
| Public works | | 1,095,736 |
| Culture and recreation | | 85,425 |
| Debt service | | 161,409 |
| Unemployment compensation | | 17,255 |
| Unrestricted | | <u>1,474,986</u> |
| Total Net Position | \$ | <u><u>3,054,781</u></u> |

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Statement of Activities- Cash Basis
For the Year Ended September 30, 2013

Exhibit 2

| Functions/Programs | Cash Disbursements | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Position |
|--|-----------------------|-------------------------|--|--|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government Governmental Activities |
| Primary government: | | | | | |
| Governmental activities: | | | | | |
| General government | \$ 3,098,400 | 210,067 | 17,903 | | (2,870,430) |
| Public safety | 1,679,207 | 197,304 | 97,134 | | (1,384,769) |
| Public works | 2,465,441 | | 478,380 | 116,207 | (1,870,854) |
| Health and welfare | 192,248 | | 48,380 | | (143,868) |
| Culture and recreation | 155,893 | | | | (155,893) |
| Conservation of natural resources | 90,457 | | 210 | | (90,247) |
| Economic development and assistance | 1,529,757 | | 709,221 | 744,536 | (76,000) |
| Purchase of investment | 2,000,616 | | | | (2,000,616) |
| Debt service: | | | | | |
| Principal | 83,902 | | | | (83,902) |
| Interest | 47,328 | | | | (47,328) |
| Total Governmental Activities | <u>11,343,249</u> | <u>407,371</u> | <u>1,351,228</u> | <u>860,743</u> | <u>(8,723,907)</u> |
| General receipts: | | | | | |
| Property taxes | | | | \$ | 4,633,151 |
| Road & bridge privilege taxes | | | | | 166,418 |
| Grants and contributions not restricted to specific programs | | | | | 946,473 |
| Unrestricted investment income | | | | | 5,786 |
| Miscellaneous | | | | | 146,973 |
| Sale of investments | | | | | 3,102,465 |
| Sale of county property | | | | | 50,557 |
| Total General Receipts and Other Cash Sources | | | | | <u>9,051,823</u> |
| Changes in Net Position | | | | | <u>327,916</u> |
| Net Position - Beginning of year | | | | | <u>2,726,865</u> |
| Net Position - End of year | | | | \$ | <u>3,054,781</u> |

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY

Exhibit 3

Statement of Cash Basis Assets and Fund Balances

Governmental Funds

September 30, 2013

| | <u>Major Funds</u> | | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---------------------------|-------------------------|-----------------------------------|---|---|
| | <u>General Fund</u> | <u>JDC CDBG-2011 Fund</u> | | |
| ASSETS | | | | |
| Cash | \$ 1,474,986 | | 1,579,795 | 3,054,781 |
| Total Assets | <u>\$ 1,474,986</u> | <u>0</u> | <u>1,579,795</u> | <u>3,054,781</u> |
| FUND BALANCES | | | | |
| Restricted for: | | | | |
| General government | \$ | | 204,598 | 204,598 |
| Public safety | | | 15,372 | 15,372 |
| Public works | | | 1,095,736 | 1,095,736 |
| Culture and recreation | | | 85,425 | 85,425 |
| Debt service | | | 161,409 | 161,409 |
| Unemployment compensation | | | 17,255 | 17,255 |
| Unassigned | 1,474,986 | | | 1,474,986 |
| Total Fund Balances | <u>\$ 1,474,986</u> | <u>0</u> | <u>1,579,795</u> | <u>3,054,781</u> |

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY

Exhibit 4

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances -
Governmental Funds
For the Year Ended September 30, 2013

| | Major Funds | | Other | Total |
|---|--------------|------------------|--------------|--------------|
| | General | JDC CDBG-2011 | Governmental | Governmental |
| | Fund | Fund | Funds | Funds |
| RECEIPTS | | | | |
| Property taxes | \$ 2,873,161 | | 1,759,990 | 4,633,151 |
| Road and bridge privilege taxes | | | 166,418 | 166,418 |
| Licenses, commissions and other receipts | 82,836 | | 4,366 | 87,202 |
| Fines and forfeitures | 134,579 | | | 134,579 |
| Intergovernmental receipts | 950,470 | 1,065,906 | 1,142,068 | 3,158,444 |
| Charges for services | 43,620 | | 141,970 | 185,590 |
| Interest income | 4,778 | | 1,008 | 5,786 |
| Miscellaneous receipts | 139,872 | | 7,101 | 146,973 |
| Total Receipts | 4,229,316 | 1,065,906 | 3,222,921 | 8,518,143 |
| DISBURSEMENTS | | | | |
| General government | 2,943,284 | | 155,116 | 3,098,400 |
| Public safety | 1,527,554 | | 151,653 | 1,679,207 |
| Public works | 35,348 | | 2,430,093 | 2,465,441 |
| Health and welfare | 192,248 | | | 192,248 |
| Culture and recreation | 59,592 | | 96,301 | 155,893 |
| Conservation of natural resources | 90,457 | | | 90,457 |
| Economic development and assistance | 76,000 | 1,065,906 | 387,851 | 1,529,757 |
| Debt service: | | | | |
| Principal | | | 83,902 | 83,902 |
| Interest | | | 47,328 | 47,328 |
| Total Disbursements | 4,924,483 | 1,065,906 | 3,352,244 | 9,342,633 |
| Excess (Deficiency) of Receipts over Disbursements | (695,167) | 0 | (129,323) | (824,490) |
| OTHER CASH SOURCES (USES) | | | | |
| Proceeds from sale of capital assets | 7,811 | | 42,746 | 50,557 |
| Proceeds from sale of investments | 3,102,465 | | | 3,102,465 |
| Transfers in | | | 379,042 | 379,042 |
| Transfers out | (360,000) | | (19,042) | (379,042) |
| Purchase of investment | (2,000,616) | | | (2,000,616) |
| Total Other Cash Sources and Uses | 749,660 | 0 | 402,746 | 1,152,406 |
| Excess (Deficiency) of Receipts and other Cash Sources over Disbursements and other Cash Uses | 54,493 | 0 | 273,423 | 327,916 |
| Cash Basis Fund Balances - Beginning of year | 1,420,493 | | 1,306,372 | 2,726,865 |
| Cash Basis Fund Balances - Ending of year | \$ 1,474,986 | 0 | 1,579,795 | 3,054,781 |

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Statement of Fiduciary Assets and Liabilities - Cash Basis
September 30, 2013

Exhibit 5

| | Agency Funds |
|------------------------------------|-----------------|
| ASSETS | |
| Cash | \$ 258,881 |
| Total Assets | \$ 258,881 |
| LIABILITIES | |
| Amounts held in custody for others | \$ 258,881 |
| Total Liabilities | \$ 258,881 |

The notes to the financial statements are an integral part of this statement.

JEFFERSON DAVIS

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JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Jefferson Davis County is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. The financial statements of the County are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America as established by the Governmental Accounting Standards Board. These accounting principles require Jefferson Davis County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles applicable to the County's cash basis of accounting.

- Jefferson Davis General Hospital
- Jefferson Davis County Economic Development District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor-Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position - Cash Basis and a Statement of Activities - Cash Basis, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position - Cash Basis and Statement of Activities - Cash Basis display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental receipts and other nonexchange receipts.

The Statement of Net Position - Cash Basis presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities - Cash Basis presents a comparison between direct disbursements and program receipts for each function or program of the County's governmental activities. Direct disbursements are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other receipts not classified as program receipts are presented as general receipts of the County, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the County.

Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, fund equity, receipts and disbursements. Funds are organized into governmental and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

C. Measurement Focus and Basis of Accounting.

The Government-wide, Governmental Funds, and Fiduciary Funds financial statements are presented on a cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves the reporting of only cash and cash equivalents and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) reported in the period in which they occurred. This cash basis of accounting differs from GAAP primarily because revenues (cash receipts) are recognized when received in cash rather than when earned and susceptible to accrual, and expenditures or expenses (cash disbursements) are recognized when paid rather than when incurred or subject to accrual.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

JDC CDBG-2011 Fund – This fund is used to account for monies from specific revenue sources that are restricted for economic development.

Additionally, the County reports the following fund types:

GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific cash sources that are restricted or committed to disbursement for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to disbursement for principal and interest.

FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits and other monies collected or held by the County, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements
For the Year Ended September 30, 2013

D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

E. Deposits.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less).

F. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net position and displayed in two components:

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted.”

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if disbursements paid for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

When a disbursement is paid for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When disbursements are paid for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

G. Property Tax Receipts.

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase. All property taxes are recognized as receipts when collected.

(2) Deposits.

The carrying amount of the County's total deposits with financial institutions at September 30, 2013, was \$3,313,662, and the bank balance was \$3,445,081. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the County. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

(3) Interfund Transfers.

The following is a summary of interfund transfers at September 30, 2013:

Transfers In/Out:

| <u>Transfer In</u> | <u>Transfer Out</u> | <u>Amount</u> |
|--------------------------|--------------------------|-------------------|
| Other Governmental Funds | General Fund | \$ 360,000 |
| Other Governmental Funds | Other Governmental Funds | 19,042 |
| Total | | <u>\$ 379,042</u> |

The principal purpose of interfund transfers was to provide funds for grant matches and road repairs. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(4) Claims and Judgments.

Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2013, to January 1, 2014. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

(5) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the disbursements of resources for allowable purposes. The County may be responsible for any disallowances.

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(6) Related Organization.

The Jefferson Davis County Board of Supervisors is responsible for appointing a voting majority of the members of the board of the Prentiss/Jefferson Davis County Airport, but the county's accountability for this organization does not extend beyond making the appointment. The County contributed \$5,000 for the airport's support in fiscal year 2013.

(7) Joint Venture.

The County participates in the following joint venture:

Jefferson Davis County is a participant with Marion County in a joint venture, authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the South Mississippi Regional Library. The joint venture was created to provide library service for the Counties of Jefferson Davis and Marion, and is governed by a five-member board. The two counties rotate board appointments so each county has a majority of board members in alternate years. Complete financial statements for the South Mississippi Regional Library can be obtained from the Marion County branch located at 900 Broad Street, Columbia, Mississippi.

(8) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Pearl River Valley Opportunity, Inc., operates in a district composed of the Counties of Covington, Forrest, Jefferson Davis, Jones, Lamar, Marion, Pearl River and Perry. The entity was created to administer programs conducted by community action agencies, limited purpose agencies and related programs authorized by federal law. The Jefferson Davis County Board of Supervisors appoints one of the 24 members of the board of directors. The primary source of funding for the entity is derived from federal funds. The county contributed \$5,000 for support of the district in fiscal year 2013.

Southeast Mississippi Air Ambulance District operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Marion, Pearl River, Perry, Stone and Walthall. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of directors. The county contributed \$36,600 for support of the district in fiscal year 2013.

JEFFERSON DAVIS COUNTY

Notes to Financial Statements For the Year Ended September 30, 2013

Pearl River Community College operates in a district composed of the Counties of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River. The Jefferson Davis County Board of Supervisors appoints two of the 16 members of the college board of trustees. The County contributed \$162,926 for maintenance and support of the college in fiscal year 2013.

Southern Mississippi Planning and Development District operates in a district composed of the Counties of Covington, Forrest, George, Greene, Hancock, Harrison, Jackson, Jefferson Davis, Jones, Lamar, Marion, Pearl River, Perry, Stone and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the 27 members of the board of directors. The County contributed \$20,418 for support of the district in fiscal year 2013.

Pine Belt Mental Health Care Resources operates in a district composed of the Counties of Covington, Forrest, Greene, Jefferson Davis, Jones, Lamar, Marion, Perry and Wayne. The Jefferson Davis County Board of Supervisors appoints one of the nine members of the board of commissioners. The County contributed \$31,000 for support of the entity in fiscal year 2013.

Pearl and Leaf River Rails-to-Trails Recreational District operates in a district composed of the Counties of Forrest, Jefferson Davis and Lamar, and the Cities of Bassfield, Hattiesburg, Prentiss and Sumrall. The Jefferson Davis County Board of Supervisors appoints one of the seven members of the board of directors. The County contributed \$16,250 for support of the district in fiscal year 2013.

(9) Defined Benefit Pension Plan.

Plan Description. Jefferson Davis County, Mississippi, contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Funding Policy. At September 30, 2013, PERS members were required to contribute 9% of their annual covered salary, and the County is required to contribute at an actuarially determined rate. The rate at September 30, 2013 was 15.75% of annual covered payroll. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The County's contributions (employer share only) to PERS for the years ending September 30, 2013, 2012 and 2011 were \$389,828, \$375,031 and \$344,658, respectively, equal to the required contributions for each year.

JEFFERSON DAVIS COUNTY

SUPPLEMENTAL INFORMATION

JEFFERSON DAVIS

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JEFFERSON DAVIS COUNTY
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

| Federal Grantor/ Pass-through Grantor/ Program Title or Cluster | Federal CFDA Number | Pass-through Entity Identifying Number | Federal Expenditures |
|---|---------------------------|--|----------------------------|
| U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority | | | |
| Community development block grants/state's programs* | 14.228 | 1128-11-033-ED-01 | \$ 640,586 |
| Community development block grants/state's programs* | 14.228 | 1128-11-033-PF-01 | 321,370 |
| Subtotal | | | <u>961,956</u> |
| U.S. Department of Housing and Urban Development/ Passed-through the Mississippi Development Authority | | | |
| HOME investment partnership program* | 14.239 | 1223-M11-SG-280-186 | <u>387,851</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>1,349,807</u> |
| U.S. Department of Transportation - Federal Highway Administration/ Passed-through the Mississippi Department of Transportation | | | |
| Highway planning and construction | 20.205 | BR NBIS 078 B (33) | <u>28,130</u> |
| U.S. Department of Homeland Security/ Passed-through the Mississippi Emergency Management Agency | | | |
| Emergency management performance grant | 97.042 | N/A | <u>18,933</u> |
| Total Expenditures of Federal Awards | | | \$ <u><u>1,396,870</u></u> |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A - Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards is prepared on the cash basis of accounting.

* Denotes major federal award program

JEFFERSON DAVIS COUNTY

Schedule of Operating Costs of Solid Waste

For the Year Ended September 30, 2013

Operating Disbursements, Cash Basis:

| | | |
|----------|----|---------|
| Salaries | \$ | 190,962 |
|----------|----|---------|

Expendable Commodities:

| | | |
|---------------------------------|--|--------|
| Gasoline and petroleum products | | 53,836 |
|---------------------------------|--|--------|

| | | |
|--------------|--|-------|
| Repair parts | | 3,810 |
|--------------|--|-------|

| | | |
|-----------|--|---------|
| Equipment | | 109,587 |
|-----------|--|---------|

| | | |
|-------------|--|-------|
| Maintenance | | 8,162 |
|-------------|--|-------|

| | | |
|----------------------|--|--------|
| Contractual services | | 96,545 |
|----------------------|--|--------|

| | | |
|----------|--|-----|
| Supplies | | 947 |
|----------|--|-----|

| | | |
|--|----|----------------|
| Solid Waste Operating Cost Disbursements | \$ | <u>463,849</u> |
|--|----|----------------|

JEFFERSON DAVIS COUNTY

OTHER INFORMATION

JEFFERSON DAVIS

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JEFFERSON DAVIS COUNTY
Budgetary Comparison Schedule -
Budget and Actual (Non-GAAP Basis)
General Fund
For the Year Ended September 30, 2013
UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|--------------------------------|---|
| RECEIPTS | | | | |
| Property taxes | \$ 2,769,000 | 2,873,161 | 2,873,161 | |
| Licenses, commissions and other receipts | 80,000 | 82,836 | 82,836 | |
| Fines and forfeitures | 110,000 | 134,579 | 134,579 | |
| Intergovernmental receipts | 1,405,650 | 1,124,647 | 950,470 | (174,177) |
| Charges for services | 30,000 | 43,620 | 43,620 | |
| Interest income | 1,250 | 4,778 | 4,778 | |
| Miscellaneous receipts | 125,000 | 145,628 | 139,872 | (5,756) |
| Total Receipts | <u>4,520,900</u> | <u>4,409,249</u> | <u>4,229,316</u> | <u>(179,933)</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| General government | 3,299,128 | 2,942,284 | 2,943,284 | (1,000) |
| Public safety | 1,423,090 | 1,527,554 | 1,527,554 | |
| Public works | 5,000 | 35,348 | 35,348 | |
| Health and welfare | 198,091 | 192,248 | 192,248 | |
| Culture and recreation | 52,000 | 59,592 | 59,592 | |
| Education | 160,000 | 188,080 | | 188,080 |
| Conservation of natural resources | 108,010 | 90,457 | 90,457 | |
| Economic development and assistance | 153,700 | 76,000 | 76,000 | |
| Total Disbursements | <u>5,399,019</u> | <u>5,111,563</u> | <u>4,924,483</u> | <u>187,080</u> |
| Excess of Receipts over (under) Disbursements | <u>(878,119)</u> | <u>(702,314)</u> | <u>(695,167)</u> | <u>7,147</u> |
| OTHER CASH SOURCES (USES) | | | | |
| Sale of county property | | 7,811 | 7,811 | |
| Sale of investments | | 3,102,465 | 3,102,465 | |
| Transfers out | (712,000) | (351,853) | (360,000) | (8,147) |
| Purchase of investments | | (2,000,616) | (2,000,616) | |
| Total Other Cash Sources and Uses | <u>(712,000)</u> | <u>757,807</u> | <u>749,660</u> | <u>(8,147)</u> |
| Net Change in Fund Balance | (1,590,119) | 55,493 | 54,493 | (1,000) |
| Fund Balances - Beginning | <u>1,590,119</u> | <u>1,419,493</u> | <u>1,420,493</u> | <u>1,000</u> |
| Fund Balances - Ending | <u>\$ 0</u> | <u>1,474,986</u> | <u>1,474,986</u> | <u>0</u> |

The accompanying notes to the Other Information are an integral part of this statement.

JEFFERSON DAVIS COUNTY
 Budgetary Comparison Schedule -
 Budget and Actual (Non-GAAP Basis)
 JDC CDBG-2011 Fund
 For the Year Ended September 30, 2013
 UNAUDITED

| | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|--|-----------------------------|-----------------------------|--------------------------------|---|
| RECEIPTS | | | | |
| Intergovernmental receipts | \$ 90,000 | 564,429 | 1,065,906 | 501,477 |
| Total Receipts | <u>90,000</u> | <u>564,429</u> | <u>1,065,906</u> | <u>501,477</u> |
| DISBURSEMENTS | | | | |
| Current: | | | | |
| Economic development and assistance | 90,000 | 564,429 | 1,065,906 | (501,477) |
| Total Disbursements | <u>90,000</u> | <u>564,429</u> | <u>1,065,906</u> | <u>(501,477)</u> |
| Excess of Receipts over (under) Disbursements | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Net Change in Fund Balance | 0 | 0 | 0 | 0 |
| Fund Balances - Beginning | <u> </u> | <u> </u> | <u> </u> | <u>0</u> |
| Fund Balances - Ending | <u>\$ 0</u> | <u>0</u> | <u>0</u> | <u>0</u> |

The accompanying notes to the Other Information are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Schedule of Investments
For the Year Ended September 30, 2013
UNAUDITED

| Fund | Description | Beginning Date | Maturity Date | Interest Rate | October 1 Balance | Purchases | Redeemed | September 30 Balance |
|--------------------------|-------------------------|-------------------|------------------|------------------|----------------------|------------------|------------------|-------------------------|
| GENERAL FUND | | | | | | | | |
| 007 Severance Tax | Certificates of Deposit | 03/03/12 | 03/04/13 | 0.400% | \$ 3,102,465 | | 3,102,465 | 0 |
| 007 Severance Tax | Certificates of Deposit | 11/05/12 | 10/31/13 | 0.050% | | 1,000,370 | | 1,000,370 |
| 007 Severance Tax | Certificates of Deposit | 11/05/12 | 10/31/13 | 0.050% | | 1,000,246 | | 1,000,246 |
| Total General Fund | | | | | <u>3,102,465</u> | <u>2,000,616</u> | <u>3,102,465</u> | <u>2,000,616</u> |
| TOTAL GOVERNMENTAL FUNDS | | | | | <u>\$ 3,102,465</u> | <u>2,000,616</u> | <u>3,102,465</u> | <u>2,000,616</u> |

JEFFERSON DAVIS COUNTY
Schedule of Capital Assets
For the Year Ended September 30, 2013
UNAUDITED

Governmental activities:

| | Balance Oct. 1, 2012 | Additions | Deletions | Adjustments * | Balance Sept. 30, 2013 |
|--------------------------------------|-------------------------|------------------|----------------|----------------|---------------------------|
| Land | \$ 381,562 | | | | 381,562 |
| Construction in progress | 550,920 | 1,065,906 | | 41,500 | 1,658,326 |
| Infrastructure | 47,481,495 | | | | 47,481,495 |
| Buildings | 5,752,437 | | | | 5,752,437 |
| Improvements other than buildings | 123,876 | | | | 123,876 |
| Mobile equipment | 6,422,991 | 218,797 | 341,249 | (40,037) | 6,260,502 |
| Furniture and equipment | 826,319 | 21,500 | | 269,860 | 1,117,679 |
| Leased property under capital leases | 59,442 | | | (59,442) | |
| Total capital assets | \$ <u>61,599,042</u> | <u>1,306,203</u> | <u>341,249</u> | <u>211,881</u> | <u>62,775,877</u> |

* Adjustments are for the reclassification of paid off capital leases and the reclassification of equipment type.

JEFFERSON DAVIS COUNTY
Schedule of Changes in Long-term Debt
For the Year Ended September 30, 2013
UNAUDITED

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2013:

| <u>Description and Purpose</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Balance Oct. 1, 2012</u> | <u>Issued</u> | <u>Principal Payments</u> | <u>Balance Sept. 30, 2013</u> |
|---------------------------------|-------------------|----------------------|----------------------|---------------------------------|---------------|-------------------------------|-----------------------------------|
| Governmental Activities: | | | | | | | |
| A. General Obligation Bonds: | | | | | | | |
| Hospital bond | 06-2003 | 07-2025 | 4.25% | \$ 1,144,672 | | 73,123 | 1,071,549 |
| B. Capital Leases: | | | | | | | |
| 420E Caterpillar backhoe | 04-2011 | 04-2013 | 2.75% | <u>10,779</u> | | <u>10,779</u> | <u>0</u> |
| Total | | | | \$ <u>1,155,451</u> | <u>-</u> | <u>83,902</u> | <u>1,071,549</u> |

The accompanying notes to the Other Information are an integral part of this statement.

JEFFERSON DAVIS COUNTY
Schedule of Surety Bonds for County Officials
For the Year Ended September 30, 2013
UNAUDITED

| Name | Position | Company | Bond |
|---|--|------------------------|-----------|
| Macon Holliman, Jr. | Supervisor District 1 | Western Surety Company | \$100,000 |
| Charles W. Reid | Supervisor District 2 | Western Surety Company | \$100,000 |
| John H. Thompson | Supervisor District 3 | Western Surety Company | \$100,000 |
| Michael O. Evans | Supervisor District 4 | Western Surety Company | \$100,000 |
| Bobby R. Rushing | Supervisor District 5 | Western Surety Company | \$100,000 |
| John W. Davies | Chancery Clerk | Western Surety Company | \$100,000 |
| Janice Bridges | Purchase Clerk | Western Surety Company | \$75,000 |
| Abrilla Brumfield | Receiving Clerk | Western Surety Company | \$75,000 |
| David Bayles | Assistant Receiving Clerk | Western Surety Company | \$50,000 |
| Willie Ray Dyess | Assistant Receiving Clerk | Western Surety Company | \$50,000 |
| Roy Mitchell Smith | Assistant Receiving Clerk | Western Surety Company | \$50,000 |
| Anna R. Keys | Assistant Receiving Clerk | Western Surety Company | \$50,000 |
| Kelsea T. Brown | Assistant Receiving Clerk | Western Surety Company | \$50,000 |
| Sherrie Lynn Weathersby | Assistant Receiving Clerk | Western Surety Company | \$50,000 |
| James Allen Allday | Constable | Western Surety Company | \$50,000 |
| Harold Rhodes | Constable | Western Surety Company | \$50,000 |
| Clint W. Langley | Circuit Clerk | Western Surety Company | \$100,000 |
| Michelle Williams | Deputy Circuit Clerk | Western Surety Company | \$50,000 |
| Debbie Dyess | Deputy Circuit Clerk | Western Surety Company | \$50,000 |
| Ron Strickland | Sheriff | Western Surety Company | \$100,000 |
| Charles Johnson, John Wayne Toler, Zackary Jackson, Clyde Breazeale, Joe Bullock, Brian Gray, Tenisha Daniels | Sheriff's Deputy (hired under Section 45-5-9 Miss. Code Ann. (1972)) | Western Surety Company | \$50,000 |
| Ronald Barnes | Justice Court Judge | Western Surety Company | \$50,000 |
| Johnny C. Hartzog | Justice Court Judge | Western Surety Company | \$50,000 |
| Sara Judy Cole | Justice Court Clerk | Western Surety Company | \$50,000 |
| Charlotte Williams | Deputy Justice Court Clerk | Western Surety Company | \$50,000 |
| Anna R. Keys | Deputy Justice Court Clerk | Western Surety Company | \$50,000 |
| Sue Shivers Worthy | Tax Collector-Assessor | Western Surety Company | \$100,000 |
| Arnetra Polk | Financial Manager | Western Surety Company | \$75,000 |
| Pat Evans | Accounting Clerk | Western Surety Company | \$75,000 |

JEFFERSON DAVIS COUNTY

Notes to the Other Information
For the Year Ended September 30, 2013
UNAUDITED

(1) Budgetary Comparison Information.

A. Budgetary Information.

Statutory requirements dictate how and when the County's budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor-Collector for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of receipt, each general item of disbursement, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County's budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary basis and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and the major Special Revenue Fund.

C. Excess of Actual Disbursements Over Budget in Individual Funds.

The following funds had an excess of actual disbursements over budget for the year ended September 30, 2013:

| Fund | Excess |
|------------------------|------------|
| Special Revenue Funds: | |
| JDC CDBG-2011 Fund | \$ 501,477 |

The JDC CDBG-2011 Fund is in violation of Section 19-11-17, Miss. Code Ann. (1972). However, the County has no obligation associated with these violations.

(2) Long-term Debt information:

- A. Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the county. As of September 30, 2013, the amount of outstanding debt was less than 1% of the latest property assessments.

JEFFERSON DAVIS COUNTY

Notes to the Other Information
For the Year Ended September 30, 2013
UNAUDITED

B. Subsequent Events.

Subsequent to September 30, 2013, the County issued the following debt obligations:

| <u>Issue Date</u> | <u>Interest Rate</u> | | <u>Issue Amount</u> | <u>Type of Financing</u> | <u>Source of Financing</u> |
|-----------------------|--------------------------|----|-------------------------|------------------------------|--------------------------------|
| 10/21/2013 | 3% | \$ | 250,000 | CAP Loan | Ad valorem taxes |

JEFFERSON DAVIS COUNTY

SPECIAL REPORTS

JEFFERSON DAVIS COUNTY

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**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE
FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Jefferson Davis County, Mississippi, (the County) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 4, 2014. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles applicable to the County's cash basis of accounting to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson Davis County, Mississippi's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson Davis County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as 2013-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jefferson Davis County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


We noted certain matters that we reported to the management of Jefferson Davis County, Mississippi, in the Limited Internal Control and Compliance Review Management Report dated April 4, 2014, included within this document.

Jefferson Davis County's Response to Finding

Jefferson Davis County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Jefferson Davis County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will-R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 4, 2014



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

Report on Compliance for Each Major Federal Program

We have audited Jefferson Davis County, Mississippi's (the County) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013. Jefferson Davis County, Mississippi's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Jefferson Davis County, Mississippi's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Davis County, Mississippi's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Jefferson Davis County, Mississippi's compliance.

Opinion on Each Major Federal Program

In our opinion, Jefferson Davis County, Mississippi, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

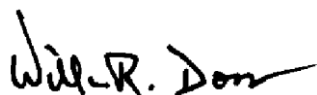
Report on Internal Control Over Compliance

Management of Jefferson Davis County, Mississippi, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Jefferson Davis County, Mississippi's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 4, 2014



**STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT ON CENTRAL PURCHASING SYSTEM,
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))**

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

We have examined Jefferson Davis County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with the bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2013. The Board of Supervisors of Jefferson Davis County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

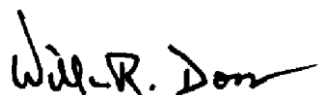
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Jefferson Davis County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

In our opinion, Jefferson Davis County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2013.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination of the purchasing system and, in our opinion, is fairly presented when considered in relation to that examination.

This report is intended for use in evaluating the central purchasing system and inventory control system of Jefferson Davis County, Mississippi, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, slightly slanted style.

WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 4, 2014

JEFFERSON DAVIS COUNTY

Schedule 1

Schedule of Purchases Not Made From the Lowest Bidder
For the Year Ended September 30, 2013

Our test results did not identify any purchases from other than the lowest bidder.

JEFFERSON DAVIS COUNTY
Schedule of Emergency Purchases
For the Year Ended September 30, 2013

Schedule 2

Our test results did not identify any emergency purchases.

JEFFERSON DAVIS COUNTY

Schedule 3

Schedule of Purchases Made Noncompetitively From a Sole Source
For the Year Ended September 30, 2013

Our test results did not identify any purchases made noncompetitively from a sole source.

JEFFERSON DAVIS COUNTY

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR
STACEY E. PICKERING
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors
Jefferson Davis County, Mississippi

In planning and performing our audit of the financial statements of Jefferson Davis County, Mississippi (the County) for the year ended September 30, 2013, we considered Jefferson Davis County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Jefferson Davis County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated April 4, 2014, on the financial statements of Jefferson Davis County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified immaterial instances of noncompliance with state laws and regulations that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

Board of Supervisors.

1. Approval of interfund transfers should be documented in the board minutes.

Finding

Section 19-3-27, Miss. Code Ann. (1972), requires a complete and correct record be maintained for all proceedings of the Board of Supervisors. Interfund transfers were made without board orders spread on the minutes. The failure to obtain board approval for interfund transfers could result in erroneous amounts being reported and increases the possibility of the loss or misuse of public funds.

Recommendation

The Board of Supervisors should spread complete orders on the minutes relative to interfund transfers.

Board of Supervisors' Response

All interfund transfers will be approved by the Board and reflected in the minutes.

2. Actual expenditures exceeded budgeted expenditures.

Finding

Section 19-11-17, Miss. Code Ann. (1972), prohibits the incurring of expenditures in excess of the final budget as approved by the Board of Supervisors. Actual expenditures exceeded budgeted amounts in the JDC CDBG-2011 Fund. Failure to approve expenditures in the budget could result in the loss of public funds.

Recommendation

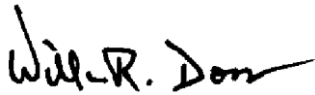
The Board of Supervisors should not make expenditures in excess of budgeted amounts.

Board of Supervisors' Response

The County will verify that all county monies received are recorded on the County books and all budgets are amended correctly as of September 30 of each year.

Jefferson Davis County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.



WILLIAM R. DOSS, CPA
Director, Financial and Compliance Audit Division

April 4, 2014

JEFFERSON DAVIS COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JEFFERSON DAVIS COUNTY

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JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|--|------------|
| 1. | Type of auditor's report issued on the financial statements: | |
| | Governmental activities | Unmodified |
| | Aggregate discretely presented component units | Adverse |
| | General Fund | Unmodified |
| | JDC CDBG-2011 Fund | Unmodified |
| | Aggregate remaining fund information | Unmodified |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | Yes |
| 3. | Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | | | |
|----|--|---------------|
| 4. | Internal control over major programs: | |
| | a. Material weakness identified? | No |
| | b. Significant deficiency identified? | None Reported |
| 5. | Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| 6. | Any audit finding(s) disclosed that are required to be reported in accordance with Section ____510(a) of OMB Circular A-133? | No |
| 7. | Identification of major programs: | |
| | a. CFDA #14.228, Community development block grants/state's programs | |
| | b. CFDA #14.239, HOME investment partnership program | |
| 8. | The dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 9. | Auditee qualified as a low-risk auditee? | No |

JEFFERSON DAVIS COUNTY

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2013

Section 2: Financial Statement Findings

Sheriff.

Significant Deficiency

2013-001. Sheriff's Office is not making deposits daily.

Finding

Management is responsible for establishing a proper internal control system to ensure a strong financial accountability and safeguarding of assets and revenue. During our test of internal controls of the Sheriff's Office receipts, we noted three out of six receipts were not deposited in a timely manner. This deficiency is due to inadequate internal controls surrounding the depositing of revenue collected in the Sheriff's Office. Inadequate controls surrounding the deposits of revenue collections could result in theft of assets and improper revenue recognition.

Recommendation

We recommend that all revenue collected in the Sheriff's Office be deposited daily.

Board of Supervisors' Response

We will take care of this issue.

Section 3: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to federal awards.